Laingsburg Local Municipality
Annual Financial Statements
for the year ended 30 June 2016

General Information

Legal form of entity	Local Municipality
Demarcation code	WC051
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Mayoral committee	
Executive Mayor	Hon. Theron W Du P
Deputy Executive Mayor	Cllr. Van As BJ
Speaker	Hon. Horn HG
Councillors	Cllr. Bobbejee M
	Cllr. Botes P
	Cllr. Botha J
	Cllr. Gouws M
Grading of local authority	Grade 1
Capacity of local authority	Medium
Accounting Officer	Mr. Williams PA
Chief Financial Officer (CFO)	Ms. Groenewald A
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank Standard Bank
Auditors	Auditor General of South Africa
Attorneys	Blyth & Coetzee Attorneys Davids Attorneys De Vries, De Wet & Krouwkam Attorneys

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The reports and statements set out below comprise the annual financial statements presented to the council:

Abbreviations

MEC	Member of the Executive Council

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements and related information.

The annual financial statements have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 5 to 91, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

Accounting Officer
PA Williams

Report of the Auditor-General

1.

Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	9 964 156	14 758 371
Receivables from exchange transactions	4	1 497 018	1 439 214
Receivables from non-exchange transactions	5	6 736 091	5 344 368
VAT receivable	6	3 876 424	2 042 718
Operating lease asset	7	2 697	6 676
Inventories	8	1 596 543	6 424 666
Current portion of long term receivables from exchange transactions	9	349	281
		23 673 278	**30 016 294**
Non-Current Assets			
Operating lease asset	7	-	2 697
Investment property	10	4 391 868	4 511 190
Property, plant and equipment	11	153 992 127	159 120 383
Intangible assets	12	639 982	765 499
Heritage assets	13	43 354	43 354
		159 067 331	**164 443 123**
Total Assets		**182 740 609**	**194 459 417**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	4 881 080	6 613 518
Consumer deposits	15	437 071	406 255
Unspent conditional grants and receipts	16	9 678 448	5 803 511
Provisions	17	402 181	291 081
Employee benefit obligation	18	86 000	92 000
		15 484 780	**13 206 365**
Non-Current Liabilities			
Provisions	17	2 854 413	4 173 379
Employee benefit obligation	18	2 943 000	3 785 000
		5 797 413	**7 958 379**
Total Liabilities		**21 282 193**	**21 164 744**
Net Assets		**161 458 416**	**173 294 673**
Accumulated surplus	43	161 458 416	173 294 673

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	15 257 889	13 901 025
Interest on bank accounts	20	1 270 010	876 912
Interest on outstanding debtors		159 379	244 891
Rental income	21	1 107 697	1 274 595
Licences and permits		196 698	176 204
Agency services		142 351	83 646
Other income	22	397 317	620 235
Total revenue from exchange transactions		**18 531 341**	**17 177 508**
Revenue from non-exchange transactions			
Property rates	23	2 934 403	2 794 213
Property rates - penalties imposed	23	194 929	245 547
Transfer revenue			
Government grants and subsidies	24	47 686 584	40 048 864
Fines, penalties and forfeits	25	19 962 610	28 432 776
Total revenue from non-exchange transactions		**70 778 526**	**71 521 400**
Total revenue		**89 309 867**	**88 698 908**
Expenditure			
Employee related costs	26	(14 923 933)	(12 896 630)
Remuneration of councillors	27	(2 518 027)	(2 335 138)
Debt impairment	28	(14 310 946)	(19 976 306)
Depreciation and amortisation	29	(7 781 497)	(7 996 230)
Impairment loss / Reversal of impairment loss	30	171 617	(26 713)
Finance costs	31	(198 047)	(225 211)
Bulk purchases	32	(7 487 051)	(6 573 271)
Contracted services	33	(9 481)	(45 871)
Grants and subsidies	34	(32 503 887)	(2 771 931)
Repairs and maintenance		(2 475 352)	(2 666 122)
General expenses	35	(18 768 541)	(16 616 874)
Library lease		(75 240)	(76 980)
Collection costs		(258 800)	(187 844)
Total expenditure		**(101 139 185)**	**(72 395 121)**
Operating (deficit) surplus		**(11 829 318)**	**16 303 787**
Loss on disposal of assets and liabilities		(6 936)	(9 727)
(Deficit) surplus for the year		**(11 836 254)**	**16 294 060**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	157 249 318	157 249 318
Adjustments		
Correction of errors (note 47)	(248 704)	(248 704)
Balance at 01 July 2014 as restated*	**157 000 614**	**157 000 614**
Changes in net assets		
Surplus for the year	16 294 059	16 294 059
Total changes	16 294 059	16 294 059
Restated* Balance at 01 July 2015	**173 294 673**	**173 294 673**
Changes in net assets		
Deficit for the year	(11 836 257)	(11 836 257)
Total changes	(11 836 257)	(11 836 257)
Balance at 30 June 2016	**161 458 416**	**161 458 416**

Note(s)

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 202 395	22 806 632
Grants		24 219 884	40 040 905
Interest income		1 429 388	1 121 804
Other receipts		397 316	537 538
		48 248 983	64 506 879
Payments			
Cash paid to employees		(18 289 960)	(15 255 768)
Cash paid to suppliers		(30 324 707)	(23 449 003)
Finance costs		(198 047)	(225 211)
		(48 812 714)	(38 929 982)
Net cash flows from operating activities	37	**(563 731)**	**25 576 897**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4 064 055)	(18 503 555)
Purchase of other intangible assets	12	(166 368)	(624 490)
Long term receivables		(68)	(7 652)
Net cash flows from investing activities		**(4 230 484)**	**(19 135 697)**
Net increase/(decrease) in cash and cash equivalents		**(4 794 215)**	**6 441 200**
Cash and cash equivalents at the beginning of the year		14 758 371	8 317 171
Cash and cash equivalents at the end of the year	3	**9 964 156**	**14 758 371**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Appendix G)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	17 826 100	(2 847 700)	**14 978 400**	15 257 889	**279 489**	
Interest received - investment	651 800	198 200	**850 000**	1 270 010	**420 010**	
Interest received - trading	175 200	24 800	**200 000**	159 379	**(40 621)**	1.1
Rental income	886 700	(1 700)	**885 000**	1 107 697	**222 697**	1.2
Licences and permits	252 100	3 900	**256 000**	196 698	**(59 302)**	1.3
Agency services	105 100	(5 100)	**100 000**	142 351	**42 351**	1.4
Other income - (rollup)	708 900	(70 225)	**638 675**	397 317	**(241 358)**	1.5
Total revenue from exchange transactions	**20 605 900**	**(2 697 825)**	**17 908 075**	**18 531 341**	**623 266**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 874 500	755 800	**3 630 300**	2 934 403	**(695 897)**	1.6
Property rates - penalties imposed	125 800	-	**125 800**	194 929	**69 129**	1.7
Transfer revenue						
Government grants and subsidies	43 922 900	9 192 424	**53 115 324**	47 686 584	**(5 428 740)**	1.8
Fines, penalties and forfeits	27 530 200	(4 289 763)	**23 240 437**	19 962 610	**(3 277 827)**	1.9
Total revenue from non-exchange transactions	**74 453 400**	**5 658 461**	**80 111 861**	**70 778 526**	**(9 333 335)**	
Total revenue	**95 059 300**	**2 960 636**	**98 019 936**	**89 309 867**	**(8 710 069)**	
Expenditure						
Employee related costs	(17 096 300)	(471 430)	**(17 567 730)**	(14 923 933)	**2 643 797**	1.10
Remuneration of councillors	(2 453 200)	-	**(2 453 200)**	(2 518 027)	**(64 827)**	
Debt impairment	(21 681 600)	-	**(21 681 600)**	(14 310 946)	**7 370 654**	1.11
Depreciation and amortisation	(9 668 500)	(10 900)	**(9 679 400)**	(7 781 497)	**1 897 903**	1.12
Impairment loss/ Reversal of impairments	-	-	**-**	171 617	**171 617**	1.13
Finance costs	-	-	**-**	(198 047)	**(198 047)**	1.13
Lease rentals on operating lease	-	-	**-**	(75 240)	**(75 240)**	1.14
Collection costs	(3 600)	-	**(3 600)**	(258 800)	**(255 200)**	1.15
Repairs and maintenance	(2 404 600)	(783 350)	**(3 187 950)**	(2 475 352)	**712 598**	1.16
Bulk purchases	(6 522 800)	(1 477 200)	**(8 000 000)**	(7 487 051)	**512 949**	
Contracted services	(2 975 700)	(1 345 500)	**(4 321 200)**	(9 481)	**4 311 719**	1.17
Grants and subsidies paid	(4 231 400)	(2 021 024)	**(6 252 424)**	(32 503 887)	**(26 251 463)**	1.18
General expenses	(10 498 200)	(2 248 220)	**(12 746 420)**	(18 768 541)	**(6 022 121)**	1.17 & 1.19
Total expenditure	**(77 535 900)**	**(8 357 624)**	**(85 893 524)**	**(101 139 185)**	**(15 245 661)**	
Operating deficit	**17 523 400**	**(5 396 988)**	**12 126 412**	**(11 829 318)**	**(23 955 730)**	
Loss on disposal of assets and liabilities	-	-	**-**	(6 936)	**(6 936)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Appendix G)
Deficit before taxation	**17 523 400**	**(5 396 988)**	**12 126 412**	**(11 836 254)**	**(23 962 666)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**17 523 400**	**(5 396 988)**	**12 126 412**	**(11 836 254)**	**(23 962 666)**	

Laingsburg Local Municipality
(Registration number WC051)
Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Appendix G)
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 999 984	-	**1 999 984**	1 596 543	**(403 441)**	1.20
Operating lease asset	-	-	**-**	2 697	**2 697**	
Receivables from non-exchange transactions	1 815 729	-	**1 815 729**	6 736 092	**4 920 363**	1.21
VAT receivable	-	-	**-**	3 876 422	**3 876 422**	1.22
Receivables from exchange transactions	1 671 660	-	**1 671 660**	1 497 018	**(174 642)**	1.23
Current portion of long term receivables from exchange transactions	-	-	**-**	349	**349**	
Cash and cash equivalents	17 559 570	-	**17 559 570**	9 964 156	**(7 595 414)**	1.24
	23 046 943	**-**	**23 046 943**	**23 673 277**	**626 334**	
Non-Current Assets						
Investment property	7 563 880	-	**7 563 880**	4 391 868	**(3 172 012)**	1.25
Property, plant and equipment	163 540 255	-	**163 540 255**	153 992 128	**(9 548 127)**	1.25
Intangible assets	534 296	-	**534 296**	639 982	**105 686**	1.26
Heritage assets	43 354	-	**43 354**	43 354	**-**	
	171 681 785	**-**	**171 681 785**	**159 067 332**	**(12 614 453)**	
Total Assets	**194 728 728**	**-**	**194 728 728**	**182 740 609**	**(11 988 119)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	7 529 824	-	**7 529 824**	4 881 080	**(2 648 744)**	1.27
Consumer deposits	317 338	-	**317 338**	437 071	**119 733**	1.28
Employee benefit obligation	-	-	**-**	86 000	**86 000**	1.29
Unspent conditional grants and receipts	-	-	**-**	9 678 448	**9 678 448**	1.30
Provisions	372 314	-	**372 314**	402 181	**29 867**	1.29
	8 219 476	**-**	**8 219 476**	**15 484 780**	**7 265 304**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	2 943 000	**2 943 000**	1.29
Provisions	8 321 881	-	**8 321 881**	2 854 413	**(5 467 468)**	1.29
	8 321 881	**-**	**8 321 881**	**5 797 413**	**(2 524 468)**	
Total Liabilities	**16 541 357**	**-**	**16 541 357**	**21 282 193**	**4 740 836**	
Net Assets	**178 187 371**	**-**	**178 187 371**	**161 458 416**	**(16 728 955)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	178 187 371	-	**178 187 371**	161 458 416	**(16 728 955)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Appendix G)

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All figures have been rounded to the nearest Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a receivable.

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus/deficit.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Value in use of cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Value in use of non-cash generating assets:

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits and other long-term benefits

The present value of the post retirement obligation and other long-term employee obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the municipality considers market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term employee obligations are based on current market conditions. Additional information is disclosed in note 18.

Effective interest rate

The municipality uses the prime interest rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services; or for
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that is associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is, subsequent to initial measurement, carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item	**Useful life**
Property - buildings	20-30 years
Property - land	indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in ther period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	Indefinite
Buildings	7 - 100 years
Furniture and fixtures	1 - 20 years
Motor vehicles	1 - 6 years
Community assets	15- 100 years
Housing schemes	1 - 10 years
Refuse site	30 yeards
Infrastructure	
• Electricity supply	45 - 60 years
• Roads	7 - 100 years
• Sanitation and refuse	5 - 80 years
• Water supply	5 - 80 years
• Storm water	5 - 50 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit; unless it is included in the carrying amount of another asset.

1.3 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment:

- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located;
- changes in the measurement of an existing decommissioning, restoration and similiar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and
- the obligation the municipality incurs for having used the items during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially measured at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated residual values as follows:

Item	**Useful life**
Computer software	3 - 5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value can be measured reliably.

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 13 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Accounting Policies

1.6 Heritage assets (continued)

Subsequent measurement

Subsequent to initial measurement classes of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the item is derecognised.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus, in the case of financial assets or a liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on municipality-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, a municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

1.7 Financial instruments (continued)

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and building elements, the municipality assesses the classification of each element separately.

1.8 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the amounts recognised as revenue and the contractual payments are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Any contingent rent are expensed in the period in which they are incurred.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

Accounting Policies

1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

1.12 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Statutory receivables

Identification
Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of the standard of GRAP on statutory receivables) means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:
- iif the transaction is an exchange transaction, using the accounting policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the accounting policy on Revenue from non-exchange transactions
  (Taxes and transfers); or
- if the transaction is not within the scope of the accounting policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The municipality measures a statutory receivable initially at its transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment loss; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the accounting policy on Revenue from exchange transactions or the accounting policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled to levy additional charges in terms of legislation, supporting regulations, by-laws or similar means on overdue or unpaid amounts, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

1.13 Statutory receivables (continued)

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for it in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the municipality recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.14 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money are consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost; and
- the effect of any curtailments or settlements.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than twelve months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1.15 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a:
- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- present obligation that arises from past events but is not recognised because:
  - it is not probable than an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised.

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Revenue from exchange transactions

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential are required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the municipality.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the collecting municipality.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind that are significant to the municipality's operations and/or service delivery objectives are recognised as assets and the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue, is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exists in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credit against accumulated surplus when retrospective adjustments are made.

1.25 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 38.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.26 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.27 Budget information

The approved budget is prepared on the accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Accounting Policies

1.28 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality discloses the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 21 (as amended 2015): Impairment of non-cash-generating assets

The following amendments were made to the standard:
- editorial and other chagnes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets;
- the indicators of internal sources of information were amended to include obsolescence as an indication that an asset may be impaired. In line with the amendments made to IPSAS 21 on Impairment of Non-cash-generating Assets (IPSAS 21) in 2011, an amendment has been made to include another indicator of impairment i.e., where an asset's useful life has been reassessed as finite rather than indefinite;
- where the recoverable service amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples of indications of impairment and measurement of impairment losses have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 26 (as amended 2015): Impairment of cash-generating assets

The following amendments were made to the standard:
- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- general definitions have been deleted as these definitions are not essential to the understanding of the Standard. A paragraph has been included to explain that terms defined in other Standards of GRAP are used with the same meaning as in those other Standards of GRAP;
- additional commentary has been added to clarify the objective of cash-generating assets and non-cash generating assets, and consequential amendments made to the definition of cash-generating assets and cash-generating unit;
- in line with the amendments made to IPSAS 26 on Impairment of Cash-generating Assets (IPSAS 26) in 2010, an amendment has been made to include another indicator of impairment in relation to the internal sources of information;
- where the recoverable amount is value in use, disclosure requirements have been added about whether an independent valuer is used to determine value in use together with the methods and significant assumptions applied in determining the value in use have been added to the disclosure requirements; and
- appendices with illustrative examples on using present value techniques to measure value in use and illustrative guidance have been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

Improvements to the standards of GRAP (2013)

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Amendments were made to the following standards of GRAP:

- GRAP 1 - Presentation of Financial Statements;
- GRAP 2 - Cash Flow Statements;
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors;
- GRAP 7 - Investments in Associates;
- GRAP 10 - Financial Reporting in Hyperinflationary Economies;
- GRAP 11 - Construction Contracts;
- GRAP 13 - Leases;
- GRAP 17 - Property, Plant and Equipment;
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;
- GRAP 21 - Impairment of Non-cash-generating Assets (refer to separate note);
- GRAP 24 - Presentation of Budget Information in Financial Statements;
- GRAP 25 - Employee Benefits;
- GRAP 26 - Impairment of Cash-generating Assets (refer to separate note);
- GRAP 31 - Intangible Assets;
- GRAP 103 - Heritage Assets; and
- GRAP 104 - Financial Instruments

The amendments relate mainly due to editorial and other changes to the original text to ensure consistency with other Standards of GRAP and deletion of the appendices with illustrative guidance and examples from the standards, as the National Treasury has issued complex examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

GRAP 23 (as amended 2015): Revenue from non-exchange transactions

The following amendments were made to the standard:

- editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP;
- the scope paragraph has been amended to exclude non-exchange revenue from construction contracts from this Standard;
- commentary has been added to clarify that discounts, volume rebates or other reductions in the quoted price of assets are exchange transactions that should be treated in accordance with the Standard of GRAP on Revenue from Exchange Transactions;
- the Standard was amended to make it mandatory for entities to recognise services in-kind to the extent that the services in-kind are significant to an entity's operations and/or service delivery objectives and to the extent that the recognition criteria have been met;
- commentary has been added to clarify that services in-kind are not limited to the provision of services by individuals but also include the right to use assets. Examples have been added to illustrate this amendment; and
- the appendix with illustrative examples has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality has adopted the standard for the first time in the 2016 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The standard has been approved by the Accounting Standards Board, but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

A municipality that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between and entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the reporting entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

Public Private Partnership agreements that are governed and regulated in terms of the MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard, but has already formulated an accounting policy for this reporting period based on the Standard..

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board, but the effective date of the interpretation is not yet set by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time when the Minister sets the effective date for the interpretation.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

GRAP 16 (as amended 2015): Investment Property

Amendments made to the standard are:
- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- the encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 17 (as amended 2015): Property, Plant and Equipment

Amendments made to the standard are:
- the principles and explanations related to the distinction between investment property and property, plant and equipment were reviewed;
- an indicator-based assessment of useful lives of assets was introduced;
- clarify the wording related to the use of external valuers;
- introduce more specific presentation and disclosure requirements for capital work-in-progress;
- encouraged disclosures were deleted; and
- separate presentation of expenditure incurred on repairs and maintenance in the financial statements are now required.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

The standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The standard has been approved by the Accounting Standards Board, but the effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time the Minister set the effective date for the standard.

The impact of this standard is currently being assessed.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2016	2015 Restated*

3. Cash and cash equivalents (continued)

Cash on hand	2 050	2 050
Bank balances	1 342 657	6 595 766
Short-term deposits	8 619 448	8 160 555
	9 964 155	**14 758 371**

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand.

Call deposits are investments with a maturity period of less than three months and earn interest at rates varying from 4-6 % per annum.

Deposits of R 1 770 303 (2015: R 2 255 048) are ring fenced and attributable to the Capital Replacement Reserve. (Note 44)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA Laingsburg - Current Account - 25040140874	1 416 546	6 744 322	576 646	1 342 657	6 595 766	543 889
ABSA Laingsburg - Call Account - 5064314329	3 566 402	3 395 627	3 248 935	3 566 402	3 395 626	3 248 935
Standard Bank - Money Market - 288704800	5 053 046	4 764 928	4 522 297	5 053 046	4 764 929	4 522 297
Total	**10 035 994**	**14 904 877**	**8 347 878**	**9 962 105**	**14 756 321**	**8 315 121**

4. Receivables from exchange transactions

Gross balances		
Electricity	948 908	993 089
Water	559 994	1 045 678
Sewerage	613 562	1 075 466
Refuse	294 369	681 681
Housing rental	461 823	365 298
	2 878 656	**4 161 212**
Less: Allowance for impairment		
Electricity	(200 673)	(318 117)
Water	(321 731)	(815 762)
Sewerage	(388 709)	(841 063)
Refuse	(122 143)	(498 587)
Housing rental	(348 382)	(248 469)
	(1 381 638)	**(2 721 998)**
Net balance		
Electricity	748 235	674 972
Water	238 263	229 917
Sewerage	224 853	234 403
Refuse	172 226	183 094
Housing rental	113 441	116 828
	1 497 018	**1 439 214**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

4. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	590 086	582 216
31 - 60 days	114 568	41 994
61 - 90 days	16 877	18 111
91 - 120 days	21 149	24 443
>120 days	206 228	326 325
Less: Allowance for impairment	(200 673)	(318 117)
	748 235	**674 972**

Water		
Current (0 -30 days)	108 570	97 570
31 - 60 days	21 150	37 011
61 - 90 days	37 111	34 573
91 - 120 days	29 244	32 959
>120 days	363 919	843 566
Less: Allowance for impairment	(321 731)	(815 762)
	238 263	**229 917**

Sewerage		
Current (0 -30 days)	105 022	102 823
31 - 60 days	23 185	36 087
61 - 90 days	40 054	34 186
91 - 120 days	23 247	33 308
>120 days	422 054	869 062
Less: Allowance for impairment	(388 709)	(841 063)
	224 853	**234 403**

Refuse		
Current (0 -30 days)	92 280	88 582
31 - 60 days	18 444	27 693
61 - 90 days	21 454	26 910
91 - 120 days	18 241	25 242
>120 days	143 950	513 254
Less: Allowance for impairment	(122 143)	(498 587)
	172 226	**183 094**

Housing rental		
Current (0 -30 days)	46 144	48 570
31 - 60 days	13 438	13 158
61 - 90 days	14 686	11 895
91 - 120 days	20 178	22 938
>120 days	367 376	268 736
Less: Allowance for impairment	(348 381)	(248 469)
	113 441	**116 828**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

4. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	366 926	350 699
31 - 60 days	56 960	105 467
61 - 90 days	81 563	99 049
91 - 120 days	74 720	106 040
>120 days	1 153 580	2 419 733
Less: Allowance for impairment	(945 708)	(2 356 444)
	788 041	**724 544**
Businesses		
Current (0 -30 days)	453 402	442 888
31 - 60 days	7 148	5 789
61 - 90 days	24 798	12 812
91 - 120 days	11 462	14 508
>120 days	9 281	54 848
Less: Allowance for impairment	(8 369)	(42 498)
	497 722	**488 347**
Industry		
Current (0 -30 days)	2 652	1 662
31 - 60 days	-	-
	2 652	**1 662**
Municipal		
Current (0 -30 days)	1 425	1 200
31 - 60 days	424	-
61 - 90 days	205	-
91 - 120 days	200	-
>120 days	144	144
Less: Allowance for impairment	(544)	(144)
	1 854	**1 200**
Government		
Current (0 -30 days)	26 738	46 737
31 - 60 days	115 907	28 348
61 - 90 days	19 954	12 202
91 - 120 days	23 589	16 468
>120 days	265 274	304 707
Less: Allowance for impairment	(241 225)	(282 925)
	210 237	**125 537**
Institutions		
Current (0 -30 days)	77 583	60 639
31 - 60 days	1 089	11 794
61 - 90 days	-	89
91 - 120 days	1 089	89
>120 days	8 612	7 455
Less: Allowance for impairment	(8 558)	(6 277)
	79 815	**73 789**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

4. Receivables from exchange transactions (continued)

Churches		
Current (0 -30 days)	10 473	8 771
31 - 60 days	-	1 318
61 - 90 days	-	1 318
91 - 120 days	-	1 318
>120 days	39 423	28 477
Less: Allowance for impairment	(41 195)	(25 842)
	8 701	**15 360**

Municipal Officials		
Current (0 -30 days)	932	386
31 - 60 days	311	109
61 - 90 days	621	421
91 - 120 days	311	421
>120 days	2 300	4 885
Less: Allowance for impairment	(1 173)	(4 238)
	3 302	**1 984**

Councillors		
Current (0 -30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	1 124
>120 days	2 747	2 517
Less: Allowance for impairment	(2 747)	(3 641)
	-	**-**

Vacant Land		
Current (0 -30 days)	1 969	426
Less: Allowance for impairment	-	-
	1 969	**426**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(2 721 997)	(2 173 962)
Contributions to allowance	-	(548 035)
Debt impairment written off against allowance	1 058 265	-
Reversal of allowance	282 093	-
	(1 381 639)	**(2 721 997)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions past due but not impaired

As at 30 June 2016, receivables from exchange transactions of R 37 973 (2015: R 541 842) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	11 965	136 340
2 months past due	12 075	106 426
3 months past due	13 933	299 076

Receivables from exchange transactions impaired

As at 30 June 2016, receivables from exchange transactions were impaired by R1 381 639 as of 30 June 2016 (2015: R2 721 998).

The ageing of these receivables is as follows:

0 to 3 months	41 674	60 032
3 to 6 months	15 343	60 066
Over 6 months	1 324 622	2 601 900

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

5. Receivables from non-exchange transactions

Assessment rates	3 059 304	2 743 242
Consumer debtors	-	115
Fines	36 028 492	35 759 747
Government grants and subsidies	1 921 207	-
Prepaid expense	68 570	-
Sundry deposits	37 920	45 385
Sundry receivables	120 800	191 627
Less: Allowance for impairment	(34 500 202)	(33 395 748)
	6 736 091	**5 344 368**

Assessment rates: Gross balance		
Current	-	88 089
31 - 60 days	24 816	29 088
61 - 90 days	23 305	34 035
91 - 120 days	22 504	25 812
> 120 days	2 988 679	2 566 218
	3 059 304	**2 743 242**

Assessment rates: Allowance for impairment		
Current	-	(9 210)
31 - 60 days	(4 829)	(4 672)
61 - 90 days	(4 545)	(4 417)
91 - 120 days	(3 911)	(4 052)
.	(2 957 806)	(2 525 585)
	(2 971 091)	**(2 547 936)**

Assessment rates: Net balance		
Current	-	78 879
31 - 60 days	19 987	24 416
61 - 90 days	18 761	29 618
91 - 120 days	18 592	21 760
> 120 days	30 873	40 633
	88 213	**195 306**

Fines: Gross balance		
Total fine debtors	36 028 492	35 759 747

Fines: Allowance for impairment		
Total allowance for impairment of fines	(31 529 110)	(30 847 811)

Fines: Net balance		
Total net fine debtors	4 499 382	4 911 935

Impairment of fines

Impairment of fines is based on a percentage of the amounts that were recovered in the prior financial year in relation to the fines that were issued.

Fines are written off after a 24 month period after summons was issued.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

5. Receivables from non-exchange transactions (continued)

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Receivables from non-exchange transactions past due but not impaired: Assessment rates

At 30 June 2016, receivables from non-exchange transactions amounting to R 25 800 (2015: R 13 039) were past due but not considered to be impaired.

The ageing of amounts past due but not impaired are as follows:

1 month past due	7 298	3 276
2 months past due	6 410	8 053
3 months past due	12 092	1 710
	25 800	**13 039**

Receivables from non-exchange transactions impaired: Assessment rates

The amount of the allowance for impairment was R 2 971 091 as of 30 June 2016 (2015: R 2 547 936).

The ageing of these receivables are as follows:

0 to 3 months	13 285	22 351
3 to 6 months	23 817	31 716
Over 6 months	2 933 989	2 493 869
	2 971 091	**2 547 936**

Reconciliation of allowance for impairment

Opening balance	(33 395 748)	(13 879 386)
Contribution to assessment rates	(423 155)	(16 839)
Contribution to other debtors	(49 270)	-
Contribution to fines	(12 029 587)	(19 499 523)
Reversal of impairment on fines	11 348 288	-
	(34 549 472)	**(33 395 748)**

6. VAT receivable

VAT	3 876 422	2 042 714

The municipality is registered for VAT on the payments basis.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

7. Operating lease asset

Opening balance	9 373	11 874
Operating lease receipts effected	(6 676)	(2 501)
	2 697	**9 373**

Operating lease as lessor
Minimum lease payments receivable

within one year	92 065	87 681
in second to fifth year inclusive	31 183	29 698
	123 248	**117 379**

Non-current assets	-	2 697
Current assets	2 697	6 676
	2 697	**9 373**

The operating lease on the Soutkloof farm was extended on for one year from 1 November 2016 to 31 October 2017.

The rent escalates with 5% per annum on 1 November.

The rent is receivable in advance each year on 1 November for the following 12 months.

8. Inventories

Building materials	160 176	124 308
Electric cable	273 946	223 399
Consumable stock	667 706	454 411
Pre-paid electricity meters	18 743	66 402
Pre-paid water meters	60 943	316 142
Water	9 357	13 723
RDP houses	332 748	5 162 251
VIP toilets	72 924	64 030
	1 596 543	**6 424 666**

Inventory pledged as security

No inventory was pledged as security.

9. Long-term receivables from exchange transactions

Housing - Self build		
Housing - Self build	12 260	11 871
Less: Allowance for impairment		
Less: Allowance for impairment	(11 911)	(11 590)
Net balance		
Current portion transferred to current liabilities	349	281

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

9. Long-term receivables from exchange transactions (continued)

Housing - Self build: Gross balance

Current	276	276
31 - 60 days	79	79
61 - 90 days	219	79
91 - 120 days	79	219
> 120 days	11 607	11 218
	12 260	**11 871**

Housing - Self build: Allowance for impairment

Current	(135)	(135)
31 - 60 days	(79)	(79)
61 - 90 days	(79)	(79)
91 - 120 days	(79)	(79)
> 120 days	(11 539)	(11 218)
	(11 911)	**(11 590)**

Housing - Self build: Net balances

Current	140	140
91 - 120 days	140	141
> 120 days	69	-
	349	**281**

Reconciliation of allowance for impairment

Opening balance	(11 591)	(118 825)
Impairment - current year	(320)	-
Written off during year	-	107 234
	(11 911)	**(11 591)**

10. Investment property

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	9 403 401	(5 011 533)	4 391 868	9 403 401	(4 892 211)	4 511 190

Reconciliation of investment property - 2016

	Opening balance	Depreciation	Total
Investment property	4 511 190	(119 322)	4 391 868

Reconciliation of investment property - 2015

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	4 440 413	210 821	(17 959)	(122 085)	4 511 190

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

10. Investment property (continued)

Details of investment porperty

None of the above investment property have been pledged as security.

- Land	4 033 901	4 033 901
- Buildings	5 369 500	5 369 500
- Accumulated depreciation on buildings	(5 011 533)	(4 892 211)

Other disclosures

Investment property rental

Rental revenue from investment property	840 252	964 214
Direct operating expenses - incurred to generate rental revenue	(314 910)	(197 505)
	525 342	**766 709**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	37 843 716	-	37 843 716	37 843 716	-	37 843 716
Buildings	9 547 883	(7 114 629)	2 433 254	9 513 275	(6 878 499)	2 634 776
Furniture and equipment	5 561 849	(3 601 616)	1 960 233	5 459 266	(3 092 627)	2 366 639
Motor vehicles	4 266 809	(3 204 574)	1 062 235	3 754 924	(2 835 708)	919 216
Infrastructure	175 089 215	(100 373 103)	74 716 112	174 835 921	(95 216 727)	79 619 194
Community	21 988 431	(13 285 389)	8 703 042	21 968 090	(12 656 278)	9 311 812
Refuse site	3 882 304	(1 167 472)	2 714 832	5 184 068	(962 342)	4 221 726
Assets under construction	23 967 603	-	23 967 603	21 464 429	-	21 464 429
Housing schemes	2 955 500	(2 364 400)	591 100	2 955 500	(2 216 625)	738 875
Total	**285 103 310**	**(131 111 183)**	**153 992 127**	**282 979 189**	**(123 858 806)**	**159 120 383**

Notes to the Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Writen off	Transfers	Impairment loss	Depreciation	Total
Land	37 843 716	-	-	-	-	-	37 843 716
Buildings	2 634 776	34 608	-	-	-	(236 130)	2 433 254
Furniture and equipment	2 366 639	102 582	-	-	-	(508 988)	1 960 233
Motor vehicles	919 216	636 735	(6 936)	-	-	(486 780)	1 062 235
Infrastructure	79 619 194	253 294	-	-	-	(5 156 376)	74 716 112
Community	9 311 812	20 342	-	-	-	(629 112)	8 703 042
Refuse site	4 221 726	-	-	-	(1 301 764)	(205 130)	2 714 832
Assets under construction	21 464 429	10 381 774	-	(7 878 600)	-	-	23 967 603
Housing schemes	738 875	-	-	-	-	(147 775)	591 100
	159 120 383	**11 429 335**	**(6 936)**	**(7 878 600)**	**(1 301 764)**	**(7 370 291)**	**153 992 127**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	37 702 716	141 000	-	-	-	-	-	37 843 716
Buildings	2 857 830	186 500	-	(168 541)	(241 013)	-	-	2 634 776
Furniture and equipment	2 472 613	349 234	(5 635)	-	(448 258)	(1 315)	-	2 366 639
Motor vehicles	1 357 903	-	-	-	(438 687)	-	-	919 216
Infrastructure	84 745 727	442 607	-	55 230	(5 598 972)	(25 398)	-	79 619 194
Community	7 410 250	-	-	2 493 521	(591 959)	-	-	9 311 812
Refuse site	3 239 870	-	-	-	(205 130)	-	1 186 986	4 221 726
Assets under construction	6 949 219	17 136 946	-	(2 621 736)	-	-	-	21 464 429
Housing schemes	886 650	-	-	-	(147 775)	-	-	738 875
	147 622 778	**18 256 287**	**(5 635)**	**(241 526)**	**(7 671 794)**	**(26 713)**	**1 186 986**	**159 120 383**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

11. Property, plant and equipment (continued)

Pledged as security

None of the above property, plant and equipment have been pledged as security.

Details on other movements

	2016	2015
Change in environmental rehabilitation provision asset	(1 653 949)	1 090 000

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)	2016	2015
Buildings	878 010	472 330
Furniture and equipment	2 173 376	1 505 281
Motor vehicles	2 846 945	30 334
Infrastructure	6 314 790	6 220 528
Community	1 300 849	146 082
	13 513 970	**8 374 555**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 686 053	(1 046 071)	639 982	1 519 685	(754 185)	765 499

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	765 499	166 368	(291 885)	639 982

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	343 357	624 490	(202 348)	765 499

Pledged as security

None of the above intangible assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

13. Heritage assets

13. Heritage assets (continued)

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Public statues	43 354	-	43 354	43 354	-	43 354

Reconciliation of heritage assets 2016

	Opening balance	Total
Public statues	43 354	43 354

Reconciliation of heritage assets 2015

	Opening balance	Total
Public statues	43 354	43 354

Pledged as security

None of the above heritage assets have been pledged as security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Figures in Rand	2016	2015 Restated*

14. Payables from exchange transactions

Accrued leave pay	1 046 110	849 567
Deposits received	67 103	74 538
Long service awards	526 627	300 914
Payments received in advance	29 699	320 311
Receivables in credit	464 879	415 661
Retention	-	222 315
Salary related amounts accrued	26 920	791 645
Thirteenth cheque	462 042	327 839
Trade payables	2 255 913	3 310 277
Unpaid wages	1 787	451
	4 881 080	**6 613 518**

15. Consumer deposits

Electricity	239 716	174 450
Water	197 355	231 805
	437 071	**406 255**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department Environmental Affairs and Tourism	82 106	82 106
Department of Water Affairs (DWA)	575 883	575 883
Energy efficiency and demand side support grant	1 746 695	-
Flood damage	3 923 164	3 786 731
Human settlements acceleration grant	600 000	600 000
Integrated national electrification programme (Municipal Grant)	-	463 859
Local Government: Local Municipalities	112 140	112 140
Provincial: Financial Management Support Grant	1 047 124	182 792
Municipal Infrastructure Grant (MIG)	1 591 336	-
	9 678 448	**5 803 511**

Movement during the year

Balance at the beginning of the year	5 803 511	3 039 540
Additions during the year	51 561 521	42 812 835
Income recognised during the year	(47 686 584)	(40 048 864)
	9 678 448	**5 803 511**

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Annual Financial Statements

Figures in Rand

17. Provisions

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation - landfill sites	4 173 379	180 568	154 415	(1 653 949)	2 854 413
Insurance Workman's Compensation Act	291 081	111 100	-	-	402 181
	4 464 460	**291 668**	**154 415**	**(1 653 949)**	**3 256 594**

Reconciliation of provisions - 2015

	Opening Balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation - landfill sites	2 762 621	96 986	1 090 000	223 772	4 173 379
Insurance Workman's Compensation Act	194 631	96 450	-	-	291 081
	2 957 252	**193 436**	**1 090 000**	**223 772**	**4 464 460**

Non-current liabilities	2 854 413	4 173 379
Current liabilities	402 181	417 532
	3 256 594	**4 590 911**

Environmental rehabilitation provision - Landfill sites

At 30 June 2016 the municipality will incur estimated rehabilitation costs of R 2 854 413 (2015: R 4 173 379) to restore the landfill site at the end of its useful life, estimated to be 17 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discount rate of the provision was 6.8% (2015: 3.7%).

The financial implications of rehabilitating the landfill site was determined by the independent valuator, Ekolaw Consulting.

Insurance Workman's Compensation Act

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

17. Provisions (continued)

The provision for WCA insurance is made in terms of the Workman's Compensation Act. The amount is payable upon and based on assessment by the Workman's Compensation Commissioner.

The provision is based on the Compensation Commissioner returns.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

18. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2016 by ZAQEN Actuaries (Pty) Ltd. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

The plan is post employment medical benefit plan.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 029 000)	(3 877 000)
Non-current liabilities	(2 943 000)	(3 785 000)
Current liabilities	(86 000)	(92 000)
	(3 029 000)	**(3 877 000)**

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	3 877 000	3 901 000
Net expense recognised in the statement of financial performance	(848 000)	(24 000)
	3 029 000	**3 877 000**

Net expense of the defined benefit obligation recognised in the statement of financial performance

Current service cost	383 000	329 000
Interest cost	368 000	360 000
Actuarial (gains) losses	(1 546 446)	(661 357)
Benefits paid	(52 554)	(51 643)
	(848 000)	**(24 000)**

Figures in Rand	2016	2015 Restated*

18. Employee benefit obligations (continued)

Key assumptions used

The municipality made use of an independent firm to perform the post retirement medical aid benefit plan. The key assumptions used by the experts are listed below for the last valuation on 30 June 2016:

Expected retirement age	63	63
Discount rates used	Yield curve	Yield curve
Expected increase in salaries	6,00 %	8,60 %
Health care cost inflation rate	Difference between nominal and yield curves	Difference between nominal and yield curves
Consumer price inflation	CPI + 1%	CPI + 1%
Net effective discount rate	Yield curve	Yield curve

In the valuation the nominal and real zero curves as at 30 June 2016 supplied by the JSE to determined the discount rates and CPI assumptions at each relevant time period were used.

The medical aid contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) medical aid contribution inflation for each relevant time period.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	22 000	(27 000)
Effect on defined benefit obligation	158 000	(186 000)

Amounts for the current and previous four years are as follows:

	2016	**2015**	**2014**	**2013**	**2012**
Defined benefit obligation	3 029 000	3 877 000	3 901 000	5 212 000	4 402 000

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

19. Service charges

Sale of electricity	11 107 580	9 470 672
Sale of water	2 303 829	2 360 934
Sewerage and sanitation charges	1 999 915	1 901 711
Refuse removal	1 732 803	1 728 902
Revenue foregone	(1 932 938)	(1 614 023)
Cemetery and encroachment fees	46 698	52 829
	15 257 887	**13 901 025**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Water Losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R 1 028 937 (50.74%) for the 2015/2016 financial period (2015: R 1 216 975 (51.54%)). An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

During the 2013/2014 financial year a main water supply pipe was damaged in the flooding of the Buffels-, Wilgerhout-, and Baviaans Rivers on 8 January 2014, contributing to the water losses for the year. Further investigations commenced in the 2015/16 financial year by MISA (Municipal Infrastructure Support Agent) from National Government.

Electricity losses

Laingsburg experienced a below average electricity loss of R91 977 (2.7%) for the 2015/2016 financial period (2015: R 849 610 (8.39%)). The loss can be ascribed to the fact that street lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

20. Interest on bank accounts

Current investment deposits	462 449	390 394
Current account	807 561	486 518
	1 270 010	**876 912**

21. Rental income

Premises		
Operating lease rental revenue Soutkloof	81 005	81 005
Rental revenue from buildings	912 604	961 714
Rental revenue from land	1 386	2 500
	994 995	**1 045 219**
Facilities and equipment		
Rental revenue from cutlery	926	625
Rental revenue from machinery and equipment	20 560	107 474
Rental revenue from houses	17 445	30 535
Rental revenue from hawkers	8 756	12 965
Rental revenue sundry	65 015	77 778
	112 702	**229 377**
	1 107 697	**1 274 596**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

21. Rental income (continued)

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Sundry rental revenue consists of the following:
- Rental received from the IEC for the rental of the voting offices;
- Rental received from Allpay for the rental of the Matjiesfontein hall for the purposes of paying out social pension;
- Rental received from Provincial Western Cape for the rental of the Thusong Centre.

The operating lease of the Soutkloof farm is between the municipality and the Van Der Vyver Trust. The lease agreement is for the period from 1 November 2011 to 31 October 2016. The operating lease rental revenue on the Soutkloof farm is straightlined over the period of the lease. For operating lease asset disclosure refer to note 7.

22. Other income

	2016	2015
Advertisement cost recovered	-	1 694
Application fees	4 500	-
Building plan and rezoning application fees	66 486	6 200
Donations	216 275	128 124
Inventory donated to the municipality	9 706	-
Gym fees	2 030	2 367
Investment property donated to the municipality	-	351 821
Pest control	1 084	611
Sales - Sand and stone	19 552	19 457
Sundry income	59 493	103 694
Tender fees	9 350	-
Valuation certification	8 842	6 267
	397 318	**620 235**

23. Property rates

Rates revenue

	2016	2015
Laingsburg	2 426 800	2 455 081
Agriculture	5 305 025	4 826 700
Less: Revenue forgone	(4 797 422)	(4 487 568)
	2 934 403	2 794 213
Property rates - penalties imposed	194 929	245 547
	3 129 332	**3 039 760**

Valuations

	2016	2015
Laingsburg	267 657 500	267 657 500
Agriculture	621 373 400	621 373 400
	889 030 900	**889 030 900**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

24. Government grants and subsidies

Equitable share	11 480 859	10 908 000
Financial Management Grant (FMG)	1 700 000	1 700 000
Municipal Systems Improvement Grant (MSIG)	930 000	934 000
Expanded Public Works Programme	1 000 000	1 013 000
Department of Sport & Recreation ("Kick-abouts")	-	1 152 198
Human Settlements Development Grant	18 315 741	8 323 459
Community Workers Development	72 000	69 952
Provincial: Library Services	962 000	907 000
Provincial: Financial Management Support Grant	1 606 892	374 744
Provincial: Municipal Finance Improvement Program	-	896 437
Maintenance of Proclaimed Roads	30 000	9 768
Integrated national electrification programme (Municipal Grant)	3 000 000	2 536 141
Provincial: Department of Transport	-	190 588
Flood Damage Grant	270 357	1 396 270
Matjiesfontein UISP	-	574 848
Energy efficiency and demand side management grant	1 253 305	-
Management Support Grant	-	500 000
Provincial: Sub-Seta	31 556	39 459
Municipal infrastructure support grant	470 000	-
Municipal Infrastructure Grant (MIG)	6 563 873	8 523 000
	47 686 583	**40 048 864**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing, towards the consumer account. The subsidy is determined annually by Council. All consumers also receive 6 kl water and the indigent households receive 50 kWh electricity free every month.

Human settlements acceleration grant

Balance unspent at beginning of year	600 000	-
Current - year receipts	-	600 000
	600 000	**600 000**

Conditions still to be met - remain liabilities (see note 16).

The acceleraction of housing delivery grant's strategic goal is to create sustainable human settlements that enables an improved quality of household life.

Financial Management Grant (FMG)

Current - year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue: operating expenditure	(1 700 000)	(1 700 000)
	-	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA) 2003. The Financial Management Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

24. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

Current - year receipts	930 000	934 000
Conditions met - transferred to revenue: operating expenditure	(930 000)	(884 938)
Conditions met - transferred to revenue: capital expenditure	-	(49 062)
	-	-

The Municipal Systems Improvement Grant (MSIG) is allocated to assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

Expanded Puiblic Works Programme

Current - year receipts	1 000 000	1 013 000
Conditions met - transferred to revenue: operating expenditure	(1 000 000)	(1 006 991)
Conditions met - transferred to revenue: capital expenditure	-	(6 009)
	-	-

The Expended Public Works Programme (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery mehtods in the following identified focus areas, in compliance with the EPWP Guidlines:

- Road maintenance and the maintenance of buildings;
- Low traffic volume roads and rural roads;
- Basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure); and
- Other economic and social infrastructure.

Department of Sport and Recreation ("Kick-abouts")

Current - year receipts	-	1 152 198
Conditions met - transferred to revenue: operating expenditure	-	(1 152 198)
	-	-

The "kick-about" is part of the youth development against violence through sport programme with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social skills.

The project is for the construction of a kick-about facility as well as to provide basic football equipment to children in poor rural areas.

Human Settlements Development Grant

Current - year receipts	18 315 741	8 323 459
Conditions met - transferred to revenue: operating expenditure	(18 315 741)	(8 323 459)
	-	-

Conditions still to be met - remain liabilities (see note 16).

The creation of sustainable human settlements that enables an improved quality of household life..

The facilitation and provision of basic infrastructure, top structure and basic social and economic amenities that contribute to the establishment of sustainable human settlements.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

24. Government grants and subsidies (continued)

Community Workers Development

Current - year receipts	72 000	69 952
Conditions met - transferred to revenue: operating expenditure	(72 000)	(69 952)
	-	-

This grant is recieved to provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators..

Provincial Library Services

Current - year receipts	962 000	907 000
Conditions met - transferred to revenue: operating expenditure	(935 483)	(871 680)
Conditions met - transferred to revenue: capital expenditure	(26 517)	(35 320)
	-	-

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of loval government and national initiatives.

Provincial: Financial Management Support Grant

Balance unspent at beginning of year	182 792	207 536
Current - year receipts	2 471 224	350 000
Conditions met - transferred to revenue: operating expenditure	(1 606 892)	(374 744)
	1 047 124	**182 792**

Conditions still to be met - remain liabilities (see note 16).

This grant is received to provide financial assistance to Municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municpal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Municipal Finance Improvement Program

Balance unspent at beginning of year	-	796 437
Current - year receipts	-	100 000
Conditions met - transferred to revenue: operating expenditure	-	(896 437)
	-	-

This grant is for implementation of Financial Management systems that can assist in producing legislated reports, mulit-year budgets, in-year reports, SDBIP, annual reports and automation of financial management practices.

Maintenance of proclaimed roads

Current - year receipts	30 000	9 768
Conditions met - transferred to revenue: operating expenditure	(30 000)	(9 768)
	-	-

This grant was received for maintenance of Provincial roads.

Integrated national electrification programme (INEP)

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

24. Government grants and subsidies (continued)

Balance unspent at beginning of year	463 859	-
Current - year receipts	3 000 000	3 000 000
Conditions met - transferred to revenue: capital expenditure	(3 000 000)	(2 536 141)
Recovered from equitable share	(463 859)	-
	-	**463 859**

The purpose of this grant is to address the electrification backlog of occupied residential dwellings and the installation of bulk infrastructure.

Provincial: Department of Transport

Balance unspent at beginning of year	-	190 588
Conditions met - transferred to revenue: operating expenditure	-	(190 588)
	-	**-**

The grant was recieved for the construction of a long distance taxi zone area.

Flood Damage Grant

Balance unspent at beginning of year	3 786 731	-
Current - year receipts	-	5 183 000
Conditions met - transferred to revenue: operating expenditure	(270 357)	(1 396 269)
Transfer from MIG	406 790	-
	3 923 164	**3 786 731**

Conditions still to be met - remain liabilities (see note 16).

This grant was received to prepare flood damage that ocurred in January 2014.

Matjiesfontein UISP

Balance unspent at beginning of year	-	574 848
Conditions met - transferred to revenue: operating expenditure	-	(574 848)
	-	**-**

This grant was received for the development of houses as set out in the Turnkey Contracting Strategy as set out in the National Housing Code, within the boundaries of the municipality.

Energy efficiency and demand side management grant

Current - year receipts	3 000 000	-
Conditions met - transferred to revenue: capital expenditure	(1 253 305)	-
	1 746 695	**-**

Conditions still to be met - remain liabilities (see note 16).

The purpose of this grant is to reduce electricity consumption and improve electricity efficiency within municipal infrastructure.

Management Support Grant

Current - year receipts	-	500 000
Conditions met - transferred to revenue: operating expenditure	-	(328 599)
Conditions met - transferred to revenue: capital expenditure	-	(171 401)

24. Government grants and subsidies (continued)

	-	-

This grant was received to provide financial assistance to Municipalities to improve overall governance systems and structures.

Department Environmental Affairs and Tourism

Balance unspent at beginning of year	82 106	82 106

Conditions still to be met - remain liabilities (see note 16).

This grant was received to develop a spatial development plan.

Department of Water Affairs (DWA)

Balance unspent at beginning of year	575 883	575 883

Conditions still to be met - remain liabilities (see note 16).

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up of a water master plan. The water master plan needs to be drafted and submitted and the water meters need to be installed.

Local Government: Local Municipalities

Balance unspent at beginning of year	112 140	112 140

Conditions still to be met - remain liabilities (see note 16).

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

Provincial: Sub Seta

Current-year receipts	31 556	39 459
Conditions met - transferred to revenue: operating expenditure	(31 556)	(39 459)
	-	-

This grant was received for long term monitoring and construction of water infrastructure.

Municipal infrastructure support grant

Current-year receipts	470 000	-
Conditions met - transferred to revenue: operating expenditure	(470 000)	-
	-	-

The outcome of this grant is improved functioning of municipal infrastructure and access to basic services for citizens.

Municipal infrastructure grant (MIG)

Current-year receipts	8 562 000	8 523 000
Conditions met - transferred to revenue: capital expenditure	(6 563 874)	(8 523 000)
Transfer to flood damage grant	(406 790)	-
	1 591 336	**-**

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

24. Government grants and subsidies (continued)

This grant is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Analysis of operating expenditure amounts transferred to revenue

Included in general expenses as grant expenditure	1 655 791	3 547 905
Included in cleaning expenses	1 221 817	2 000 000
Included in community development and training	72 000	84 325
Included in spatial planning	-	35 104
Included in other general expenses	1 144 285	1 583 853
Included in employee related costs	669 317	420 122
Included in contracted services	-	67 254
Included in general expenses as consulting and professional fees	1 667 846	1 100 000
Included in general expenses as training expenses	147 353	28 754
Included in repairs and maintenance	4 865	56 142
	6 583 274	**8 923 459**

25. Fines, penalties and forfeits

Traffic fines	19 961 948	28 431 546
Library fines	524	1 122
Dog tax	138	108
	19 962 610	**28 432 776**

26. Employee related costs

Basic	10 672 266	9 141 336
Employee related costs - contributions	2 063 603	1 454 210
Unemployment Insurance Fund (UIF)	90 757	79 051
Workmans Compensation Act (WCA)	111 100	96 450
Skills Development Levy (SDL)	135 671	104 883
Leave pay	211 232	239 114
Bargaining council levy	5 380	3 422
Net expense: defined benefit plan	(848 000)	(24 000)
Travel, motor car, accommodation, subsistence and other allowances	810 490	690 526
Overtime payments	365 198	482 028
Long-service awards	324 411	32 288
Thirteenth cheque	894 670	574 808
Housing benefits and allowances	87 156	22 515
	14 923 934	**12 896 631**

Remuneration of Williams PA - Municipal Manager

Annual remuneration	1 281 935	1 198 071
Contributions to UIF, medical and pension funds	14 745	7 969
	1 296 680	**1 206 040**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

26. Employee related costs (continued)

Remuneration of Groenewald A - Chief Finance Officer

Annual remuneration	567 388	467 184
Acting allowance	151 759	109 081
Contributions to UIF, medical and pension funds	130 691	101 995
Travel, motor car, accommodation, subsistence and other allowances	163 599	141 927
Long service bonus	90 901	-
Service bonus	45 764	37 987
Honorarium	-	3 000
	1 150 102	**861 174**

27. Remuneration of councillors

Remuneration	2 407 714	2 219 642
Allowances	110 314	115 496
	2 518 028	**2 335 138**

The mayor may utilise official Council transportation when engaged in official duties.

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the Constitution.

2016	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Theron W du P - Executive Major	519 989	168 191	26 925	7 265	722 370
Van As BJ - Deputy Executive Mayor	229 412	74 004	20 868	9 182	333 466
Horn H - Speaker	415 992	134 552	26 925	4 675	582 144
Bobbejee M - Councillor	156 418	50 457	3 600	4 239	214 714
Botes PJ - Councillor	156 417	50 457	24 468	4 238	235 580
Botha J - Councillor	156 417	50 457	3 600	4 239	214 713
Gouws M - Councillor	156 418	50 457	3 927	4 239	215 041
	1 791 063	**578 575**	**110 313**	**38 077**	**2 518 028**

2015	Annual remuneration	Travel allowance	Other allowances	Back pay	Total
Theron W du P - Executive Major	476 320	164 709	28 680	2 215	671 924
Van As BJ - Deputy Executive Mayor	211 539	70 513	20 868	2 215	305 135
Horn H - Speaker	384 618	128 205	28 680	4 028	545 531
Bobbejee M - Councillor	144 232	48 077	3 600	1 511	197 420
Botes PJ - Councillor	144 232	48 077	24 468	1 511	218 288
Botha J - Councillor	144 232	48 077	3 600	1 511	197 420
Gouws M - Councillor	144 232	48 077	5 600	1 511	199 420
	1 649 405	**555 735**	**115 496**	**14 502**	**2 335 138**

28. Debt impairment

Bad debts written off	3 148 972	33 193
Sundry receivables impaired	49 270	(14 048)
Contributions to allowance for impairment	11 112 704	19 957 161
	14 310 946	**19 976 306**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

29. Depreciation and amortisation

Property, plant and equipment	7 370 290	7 671 797
Investment property	119 322	122 085
Intangible assets	291 885	202 347
	7 781 497	**7 996 229**

30. Impairment loss / Reversal of impairment loss

Impairments		
Property, plant and equipment	-	26 713
The refuse site was revalued during the year. The amount impaired exceeded the carrying value of the asset and therefore the additional portion was recognised through profit and loss.		
Reversal of impairments		
Property, plant and equipment	(171 617)	-
The landfill site was revalued at year end. This resulted in a decrease in the provision. Due to the decrease exceeding the carrying value of the asset, the excess portion is recognised in profit and loss.		

31. Finance costs

Payables from exchange transactions	896	140
SARS: interest on late payment of VAT	42 736	1 299
Finance costs - landfill site rehabilitation provision	154 415	223 772
	198 047	**225 211**

32. Bulk purchases

Electricity	7 487 051	6 573 271

Electricity
Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

Water
There was no bulk purchases for water during the year. This is as a result of the municipality being supplied with water from the river as well as from a municipal farm with a natural water resources.

33. Contracted services

Municipal Finance Improvement Program expense	-	(8 793)
Town planning	9 481	54 664
	9 481	**45 871**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

34. Grants and subsidies

Other subsidies		
Acacia Primary School	5 000	1 400
Aids program and Cancer awareness	599	17 773
Area committee	37 885	-
Christmas for children	4 603	6 729
Donald Duck Pre-Primary	16 937	16 588
Equitable share households	1 072 720	773 071
Housing transfers	30 989 236	1 526 153
LaDaag	-	10 620
Laingsburg High School	3 000	12 300
Mandela Day	7 758	-
Municipal sport	47 065	25 316
Other grants and subsidies paid	8 354	6 760
SMME development	-	14 660
Soup kitchen	-	150 196
Tourism grant	227 637	190 070
VIP toilets	59 979	-
Youth week	23 116	20 297
	32 503 889	**2 771 933**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

35. General expenses

Administration costs	930 000	513 147
Advertising	103 617	54 727
Auditors remuneration	2 519 266	1 801 443
Bank charges	270 617	257 246
Book detection system	7 250	-
Chemicals	-	3 963
Cleaning	916 147	1 198 847
Commission for collection of traffic fines	3 063 739	3 034 097
Commission paid	115 489	114 328
Community development and training	72 000	69 952
Consulting and professional fees	1 460 496	1 263 336
Consumables	328 157	437 325
Crime prevention	313 240	139 716
Delegation costs	-	24 161
Donations	-	350
Electricity	494 977	396 871
Expense: SARS (VAT)	-	918 001
Flowers	180	-
Fuel and oil	554 611	524 323
Insurance	147 023	115 550
Levy: District Municipality (Health Services)	1 109	16 711
Licence fees	145 713	-
Magazines, books and periodicals	7 675	1 375
Management fees - Water catchment area	21 650	89 820
Marketing	359 469	371 328
Office and general expenses	1 452 716	816 086
Office expenses	1 569	31 203
Pauper burials	5 668	7 237
Pest control	11 501	8 612
Postage	4 997	4 342
Printing and stationery	310 079	246 121
Project maintenance costs	-	(297 761)
Public entertainment	148 287	114 451
Quality control	167 971	225 406
Security services	1 075 908	624 159
Signs	3 382	1 371
Software expenses	69 670	166 101
Subscriptions and membership fees	1 100 526	135 202
Telephone and fax	939 456	721 582
Tools and equipment	86 900	258 493
Training	360 890	897 888
Transport and freight	-	9 768
Travel - local	1 028 196	1 158 943
Uniforms and protective clothing	68 717	39 151
Valuation costs	35 512	35 904
Vehicle licences	64 169	66 001
	18 768 539	**16 616 877**

36. Financial instruments disclosure

Categories of financial instruments

2016

Financial assets

	At amortised cost	Total
Cash and cash equivalents	9 964 156	9 964 156
Receivables from exchange transactions	1 497 018	1 497 018
Receivables from non-exchange transactions	6 736 091	6 736 091
Current portion of long term receivables from exchange transactions	349	349
	18 197 614	**18 197 614**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	4 881 080	4 881 080
Consumer deposits	437 071	437 071
	5 318 151	**5 318 151**

2015

Financial assets

	At amortised cost	Total
Cash and cash equivalents	14 758 371	14 758 371
Receivables from exchange transactions	1 439 214	1 439 214
Receivables from non-exchange transactions	5 344 368	5 344 368
Current portion of long term receivables from exchange transactions	281	281
	21 542 234	**21 542 234**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	6 613 518	6 613 518
Consumer deposits	406 255	406 255
	7 019 773	**7 019 773**

Financial instruments in statement of financial performance

2016

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 429 389	1 429 389
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(198 047)	(198 047)
Impairment loss	(171 617)	(171 617)

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

. Financial instruments disclosure (continued)

	1 059 725	**1 059 725**

2015

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 121 803	1 121 803
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(225 211)	(225 211)
Impairment loss	(26 713)	(26 713)
	869 879	**869 879**

37. Cash (used in) generated from operations

	2016	2015
(Deficit) surplus	(11 836 257)	16 294 059
Adjustments for:		
Depreciation and amortisation	7 781 497	7 996 227
Loss on sale of assets and liabilities	6 936	9 727
Inventory losses	1 904	-
Inventory transferred	5 162 251	-
Impairment loss	(171 617)	26 713
Debt impairment	14 310 946	19 976 305
Movements in operating lease assets and accruals	6 676	2 501
Movements in retirement benefit assets and liabilities	(848 000)	(24 000)
Movements in provisions	(1 207 866)	1 207 798
Change in rehabilitation asset	1 653 949	(1 090 000)
Assets received as donations	-	128 124
Donations: Investment property	-	(210 821)
Changes in working capital:		
Inventories	(3 284)	(671 461)
Receivables from exchange transactions	204 814	(624 544)
Receivables from non-exchange transactions	(15 965 287)	(21 787 541)
Payables from exchange transactions	(1 732 438)	3 258 377
VAT	(1 833 708)	(1 689 289)
Unspent conditional grants and receipts	3 874 937	2 763 972
Consumer deposits	30 816	10 750
	(563 731)	**25 576 897**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

38. Commitments

Capital commitments

Already contracted for but not provided for		
• Property, plant and equipment	14 998 410	30 432 002
Total capital commitments		
Already contracted for but not provided for	14 998 410	30 432 002

Total commitments

Total commitments		
Authorised capital expenditure	14 998 410	30 432 002

This committed expenditure relates to infrastructure assets and will be financed through grants.

Open purchase orders

Items ordered before year-end, but not delivered after year-end	147	716

39. Related parties

For names of Councillors as well as disclosures of remuneration to Councillors:	Refer to note 27
For disclosures of remuneration to management:	Refer to note 26

Related party transactions

The municipality provided municpal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in the "service charges" and "property rates" on the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) on the statement of financial position.

40. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

40. Risk management (continued)

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	4 881 080	-	-	-
Consumer deposits	437 071	-	-	-

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	6 613 518	-	-	-
Consumer deposits	406 205	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to receivables on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Sales to customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
Cash and cash equivalents	9 964 156	14 758 371
Receivables from exchange transactions	1 497 018	1 439 214
Receivables from non-exchange transactions	6 736 091	5 344 368
Current portion of long-term receivables from exchange transactions	349	281

41. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events after the reporting date

The accounting officer is not aware of any matters or events arising between the end of the reporting period and the date of these financial statements, which will significantly affect the financial position and results of the municipality's operations.

43. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2016

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 255 048	32 994 672	1 680 451	36 930 171
Transfer to capital replacement reserve	420 010	-	-	420 010
Capital grants used to purchase property, plant and equipment	(904 755)	-	-	(904 755)
	1 770 303	**32 994 672**	**1 680 451**	**36 445 426**

Ring-fenced internal funds and reserves within accumulated surplus - 2015

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 261 681	32 994 672	1 680 451	36 936 804
Property, plant and equipment purchases	(6 633)	-	-	(6 633)
	2 255 048	**32 994 672**	**1 680 451**	**36 930 171**

44. Reserves

Capital Replacement Reserve
This reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Donations and Public Contributions Reserve
This reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring-fenced financial instruments. The Donations and Pubilc Contributions Reserve is included in accumulated surplus as required by GRAP 1.89.

	2016	2015
Capital replacement reserve	1 770 303	2 255 048
Donations and public contributions	32 994 720	32 994 672
	34 765 023	**35 249 720**

45. Housing development fund

	2016	2015
Loans extinguished by Government on 1 April 1998	1 680 451	1 680 451

The housing development fund is represented by the following assets and liabilities

	2016	2015
Revaluation of assets	1 680 451	1 680 451

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

46. Fruitless and wasteful expenditure

Interest on late payment of suppliers	11 049	2 101
Penalties paid to SARS (VAT)	-	39 481
Interest paid to SARS (VAT)	-	15 085
Overpayment of cell phone allowance to councillors	-	8 242
	11 049	**64 909**

Interest on late payment of suppliers was written-off by Council.

Penalties and interest paid to SARS relates to the VAT review performed by SARS during the 2013/2014 financial year.

47. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of compartives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Statement of Financial Performance for the year ended 30 June 2015	Balance as previously reported	Prior period error	Reclassified	Restated balance
Revenue				
Service charges	13 902 626	-	(1 601)	13 901 025
Interest on bank accounts	855 862	21 050	-	876 912
Interest on outstanding debtors	244 891	-	-	244 891
Rental income	1 274 595	-	-	1 274 595
Licences and permits	176 204	-	-	176 204
Agency services	83 646	-	-	83 646
Other income	618 541	-	1 694	620 235
Property rates	2 794 213	-	-	2 794 213
Property rates - penalties imposed	245 547	-	-	245 547
Government grants and subisidies	39 494 478	554 386	-	40 048 864
Fines, penalties and forfeits	28 432 776	-	-	28 432 776
Total revenue	88 123 379	575 436	93	88 698 908
Expenditure				
Employee related costs	(12 861 255)	(36 475)	1 100	(12 896 630)
Remuneration of councillors	(2 412 029)	76 891	-	(2 335 138)
Debt impairment	(19 976 306)	-	-	(19 976 306)
Depreciation and amortisation	(7 746 012)	(250 218)	-	(7 996 230)
Impairment loss	(26 713)	-	-	(26 713)
Finance costs	(225 211)	-	-	(225 211)
Bulk purchases	(6 573 271)	-	-	(6 573 271)
Contracted services	(45 871)	-	-	(45 871)
Grants and subsidies paid	(1 245 778)	(1 526 153)	-	(2 771 931)
Repairs and maintenance	(1 638 813)	(64 777)	(962 532)	(2 666 122)
General expenses	(17 875 975)	297 761	961 340	(16 616 874)
Library lease	(76 980)	-	-	(76 980)
Collection costs	(187 844)	-	-	(187 844)
Loss on disposal of assets	(9 727)	-	-	(9 727)
Total expenditure	(70 901 785)	(1 502 971)	(92)	(72 404 848)
Operating surplus / (deficit)	17 221 594	(891 060)	-	16 330 534
Surplus / (deficit) for the year	17 221 594	(891 060)	-	16 330 534

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Statement of Financial Position as at 30 June 2015

Assets	Balance as previously reported	Prior period error / Reclassified	Restated balance
Current Assets			
Cash and cash equivalents	14 758 371	-	14 758 371
Receivables from exchange transactions	1 432 861	6 353	1 439 214
Receivables from non-exchange transactions	5 323 318	21 050	5 344 368
VAT receivable	2 333 395	(290 681)	2 042 714
Operating lease asset	6 676	-	6 676
Inventories	5 312 811	1 111 855	6 424 666
Other asset	281	-	281
Total current assets	29 167 713	848 577	30 016 290
Non-current Assets			
Operating lease asset	2 697	-	2 697
Investment property	4 511 190	-	4 511 190
Property, plant and equipment	161 434 891	(2 314 508)	159 120 383
Intangible assets	669 220	96 279	765 499
Heritage assets	43 354	-	43 354
Total non-current assets	166 661 352	(2 218 229)	164 443 123
Liabilities			
Current Liabilities			
Payables from exchange transactions	5 951 626	661 892	6 613 518
Consumer deposits	406 255	-	406 255
Unspent conditional grants and receipts	6 357 897	(554 386)	5 803 511
Employee benefit obligation	92 000	-	92 000
Provisions	417 533	(126 452)	291 081
Total current liabilities	13 225 311	(18 946)	13 206 365
Non-current Liabilities			
Employee benefit obligation	3 785 000	-	3 785 000
Provisions	4 347 842	(174 463)	4 173 379
Total non-current liabilities	8 132 842	(174 463)	7 958 379
Net Assets			
Accumulated surplus - Opening balance	174 470 912	(1 176 239)	173 294 673
Total net assets	174 470 912	(1 176 239)	173 294 673

Interest on bank accounts

	2016	2015
Balance previously reported	-	855 862

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Amount accrued in 2013/14 reversed	-	(24 898)
Recognition of interest accured	-	45 948
	-	**876 912**

1. Interest on bank accounts

Interest accrued in June 2014 was recognised in the 2013/14 financial year. Therefore the above reflects the reversal of the interest recognised and recognition of the interest accrued in June 2015 year. Interest on ABSA bank accounts is capitalised on the first of the next month which results in interest accrued at year end but not yet reflected in the bank accounts. The above is to take into account the interest accrued in the correct financial period.

Government grants and subsidies		
Balance previously reported	-	39 494 478
Department of Sport and Recreation ("Kick-abouts")	-	297 761
Human settlements grant	-	256 625
	-	**40 048 864**

2. Government grants and subsidies

The grant received from the Department of Sport and Recreation was completed in December 2014. The above recognises the expenditure that was transferred to revenue for conditions being met.

The grant on human settlements were fully utilised in the prior year and therefore the full amount was to be recognised in as revenue as all the conditions were met in the prior year.

Remuneration of councillors		
Balance previously reported	-	2 412 029
Dubble journal entry	-	(76 891)
	-	**2 335 138**

3. Remuneration of councillors

An incorrect journal was posted in the prior year which lead to a dubble entry.

Depreciation and amortisation		
Balance previously reported	-	7 746 012
Depreciation on intangible assets	-	3 320
Depreciation on furniture and equipment	-	168 144
Depreciation on infrastructure	-	15 314
Depreciation on community assets	-	63 440
	-	**7 996 230**

4. Depreciation and amortisation

For detail on errors refer to property, plant and equipment and intangible asset errors.

Repairs and maintenance		
Balance previously reported	-	1 638 813
Rehabilitate water monitoring system	-	27 445
Refuse dump	-	37 332

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Reclassification (general expenses)	-	962 532
	-	**2 666 122**

5. Repairs and maintenance

Repairs to the water monitoring system and refuse dump expenditure was incorrectly classified as an asset under property, plant and equipment in the prior year.

General expenditure		
Balance previously reported	-	17 875 975
Reclassification: service charges	-	(1 601)
Reclassification: other income	-	1 694
Reclassification: employee related cost	-	1 100
Reclassification: repairs and maintenance	-	(962 533)
Department of Sport and Recreation ("Kick-abouts") expenditure	-	(297 761)
	-	**16 616 874**

6. General expenditure

In the prior year, crime prevention expenditure and adminstration cost was incorrectly mapped.

Refer to government grants and subsidies revenue for detail on "Kick-abouts" expenditure.

Grants and subsidies paid		
Balance previously reported	-	1 245 778
Matjiesfontein UISP	-	1 526 153
	-	**2 771 931**

7. Grants and subsidies paid

The Matjiesfontein UISP project was completed in the previous year. This improvement was done on properties that is owned by the community and was therefore transferred from assets under construction to transfers and subsidies.

Receivables from exchange transactions		
Balance previously reported	-	1 432 861
Deposit received	-	6 353
	-	**1 439 214**

8. Receivables from exchange transactions

A deposit received in the prior year was incorrectly recognised as receivables from exchange transactions.

Receivables from non-exchange transactions		
Balance previously reported	-	5 323 318
Interest on bank accounts	-	21 050
	-	**5 344 368**

9. Receivables from non-exchange transaction

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Interest accrued for 2013/14 financial year was reversed and interest accured for the 2014/15 was recognised. Consequently the debtor raised in 2013/14 was reversed and the debtor for 2014/15 on interest accrued was recognised.

Inventories		
Balance previously reported	-	5 312 811
RDP houses	-	1 047 825
VIP toilets	-	64 030
	-	**6 424 666**

10. Inventories

A portion of RDP houses capital expenditure was incorrectly not transferred to inventories from property, plant and equipment.

VIP toilets are bought and kept by the municipality for the use of farmers in the community. These portable toilets are kept as inventory and then distributed to the community when needed. This was incorrectly treated as property, plant and equipment in the prior year.

VAT receivable		
Balance previously reported	-	2 333 395
Matjiesfontein RDP houses (inventory)	-	(102 770)
Goldnerville RDP houses (assets under construction)	-	(187 907)
	-	**2 042 718**

11. VAT receivable

VAT on RDP housing projects was incorrectly claimed in the prior year. This capital expenditure with regard to housing projects is exempt in terms of VAT regulations.

Property, plant and equipment		
Balance as previously reported	-	161 434 891
Goldnerville RDP houses (assets under construction)	-	187 908
Matjiesfontein RDP houses	-	(945 055)
VIP toilets	-	(64 030)
Kambroo Street addition	-	(4 161)
Matjiesfontein sanitation	-	203 728
Rehabilitation of water monitoring system	-	(336 288)
Matjiesfontein UISP	-	(1 526 153)
Repairs and maintenance	-	(64 778)
Kick-abouts	-	234 321
	-	**159 120 383**

12. Property, plant and equipment

VAT was incorrectly claimed In the prior year on the RDP houses expenditure.

A portion of the Matjiesfontein RDP housing project was not transferred to inventory in the prior year. This amount reflects the amount transferred including the VAT that was incorrectly claimed.

VIP toilets was transferred from property, plant and equipment to inventories.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Construction on the Kambroo Street project was completed in March 2015 but incorrectly not transferred from assets under construction to property, plant and equipment. The amount above reflects the accumulated depreciation portion.

A retention payment was made in the current year with regard to the Matjiesfontein sewer project completed in 2013/14 financial year. No retention creditor was recognised. This amount was therefore incorrectly not capitalised against the asset. The amount reflects the nett amount of retention and accumulated depreciation.

The water monitoring system was in use from the 2013/14 financial year but not transferred from assets under construction to property, plant and equipment. The amount reflects the accumulated depreciation charge for 2013/14 and 2014/15 financial years.

The Matjiesfontein UISP project was completed in the previous year. This improvement was done on properties that is owned by the community and was therefore transferred from assets under construction to transfers and subsidies.

Repairs and maintenance expenditure on the sewerage dam flow meter, water monitoring system and the package plant was incorrectly classified under assets under construction in the prior year and therefore corrected.

The remaining portion of the Kick-abouts project was not transferred to property, plant and equipment with a resulting accumulated depreciation error.

Intangible assets

Balance previously reported	-	669 220
Computer software (IDI System)	-	96 280
	-	**765 500**

13. Intangible assets

The IDI System (Internal audit support system) was purchased in the prior year. The full amount was however only paid in the current year. Therefore the full amount was not capitalised at year end and depreciation was incorrectly calculated.

Payables from exchange transactions

Balance previously reported	-	5 951 626
Intangible asset	-	99 600
Remuneration of councillors	-	(76 892)
Deposit received	-	6 353
Retention	-	222 315
Salary related amounts accrued	-	109 602
Reclassification of long service awards	-	300 914
	-	**6 613 518**

14. Payables from exchange transactions

The portion of the IDI System not paid at year end was not recognised as a receivable.

An incorrect journal was posted in the prior year which lead to a dubble entry with regard to remuneration of councillors.

A deposit received in the prior year was incorrectly recognised as receivables from exchange transactions.

A retention payment was made in the current year with regard to the Matjiesfontein sewer project completed in 2013/14 financial year. No retention creditor was recognised.

Employee cost expenditure was allocated to salary related amount accrued but not transferred to the applicable expense account in the 2013/14 and 2014/15 financial years.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

47. Prior period errors (continued)

Unspent conditional grants

Balance previously reported	-	6 357 897
Government grants and subsidies	-	(554 386)
	-	**5 803 511**

15. Unspent conditional grants

Refer to detail under government grants and subsidies revenue.

Employee related cost

Balance previously reported	-	12 861 255
Reclassification (general expenses)	-	(1 101)
Payables from exchange transactions	-	36 476
	-	**12 896 630**

16. Employee related cost

Employee cost expenditure was allocated to salary related amount accrued but not transferred to the applicable expense accounts.

48. Irregular expenditure

Opening balance	17 671 663	17 671 663
Add: Irregular expenditure - current year	4 718 818	31 025 463
Less: Amounts written off	(4 718 818)	(31 025 463)
	17 671 663	**17 671 663**

Analysis of expenditure awaiting condonation per age classification

Current year	-	-
Prior years	17 671 663	17 671 663
	17 671 663	**17 671 663**

49. Unauthorised expenditure

Unauthorised expenditure	9 476 322	23 675 097

No disciplinary steps have been followed to date as the Municipality was of the opinion that the unauthorised expenditure was incurred due to overspending of votes or main divisions within votes.

All unauthorised expenditure was written-off by Council.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015 Restated*

50. Deviations from Supply Chain Management regulations

Deviations		
In any other exceptional case where it is impractical or impossible to follow the official procurement processes: (Policy reference 36(1)(a)(v))	626 367	984 774
If such goods or services are produced or available from a single provider only: (Policy reference 36(a)(ii))	295 686	235 638
In an emergency: (Policy reference 36(a)(i))	-	4 080
	922 053	**1 224 492**

51. Budget differences

Material differences between budget and actual amounts

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	675 000	500 000
Current year subscription / fee	482 500	500 000
Amount paid - current year	(1 100 000)	(750 000)
	57 500	**250 000**

Audit fees

Current year subscription / fee	2 519 266	1 801 443
Amount paid - current year	(2 519 266)	(1 801 443)
	-	**-**

PAYE and UIF

Opening balance	597 906	55 151
Current year subscription / fee	1 732 761	2 042 618
Amount paid - current year	(2 208 381)	(1 499 863)
	122 286	**597 906**

Pension and medical aid deductions

Opening balance	115 304	115 304
Current year subscription / fee	3 180 061	2 366 399
Amount paid - current year	(3 370 760)	(2 366 399)
	(75 395)	**115 304**

Councillors' arrear consumer accounts

One councillor Botha J, had arrear accounts outstanding for more than 90 days of R2 747 at 30 June 2016:

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2016											
Financial Performance											
Property rates	3 000 300	755 800	3 756 100	-		3 756 100	3 375 296		(380 804)	90 %	112 %
Service charges	17 826 100	(2 847 700)	14 978 400	-		14 978 400	15 528 771		550 371	104 %	87 %
Investment revenue	651 800	198 200	850 000	-		850 000	1 271 894		421 894	150 %	195 %
Transfers recognised - operational	43 922 900	9 192 424	53 115 324	-		53 115 324	47 686 584		(5 428 740)	90 %	109 %
Other own revenue	29 658 200	(4 338 088)	25 320 112	-		25 320 112	22 036 954		(3 283 158)	87 %	74 %
Total revenue (excluding capital transfers and contributions)	**95 059 300**	**2 960 636**	**98 019 936**	**-**		**98 019 936**	**89 899 499**		**(8 120 437)**	**92 %**	**95 %**
Employee costs	(17 096 300)	(471 430)	(17 567 730)	-	-	(17 567 730)	(14 923 933)	-	2 643 797	85 %	87 %
Remuneration of councillors	(2 453 200)	-	(2 453 200)	-	-	(2 453 200)	(2 518 027)	-	(64 827)	103 %	103 %
Debt impairment	(21 681 600)	-	(21 681 600)			(21 681 600)	(14 922 922)	-	6 758 678	69 %	69 %
Depreciation and asset impairment	(9 668 500)	(10 900)	(9 679 400)			(9 679 400)	(7 609 881)	-	2 069 519	79 %	79 %
Finance charges	-	-	-	-	-	-	(198 047)	-	(198 047)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(6 522 800)	(1 477 200)	(8 000 000)	-	-	(8 000 000)	(7 487 051)	-	512 949	94 %	115 %
Transfers and grants	(4 231 400)	(2 021 024)	(6 252 424)	-	-	(6 252 424)	(32 503 887)	-	(26 251 463)	520 %	768 %
Other expenditure	(15 882 100)	(4 377 070)	(20 259 170)	-	-	(20 259 170)	(21 571 369)	-	(1 312 199)	106 %	136 %
Total expenditure	**(77 535 900)**	**(8 357 624)**	**(85 893 524)**	**-**	**-**	**(85 893 524)**	**(101 735 117)**	**-**	**(15 841 593)**	**118 %**	**131 %**
Surplus/(Deficit)	**17 523 400**	**(5 396 988)**	**12 126 412**	**-**		**12 126 412**	**(11 835 618)**		**(23 962 030)**	**(98)%**	**(68)%**
Surplus/(Deficit) for the year	**17 523 400**	**(5 396 988)**	**12 126 412**	**-**		**12 126 412**	**(11 835 618)**		**(23 962 030)**	**(98)%**	**(68)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital Expenditure and Funds Sources											
Total capital expenditure	28 748 000	7 776 000	36 524 000	-		36 524 000	32 131 939		(4 392 061)	88 %	112 %
Sources of capital funds											
Transfers recognised - capital	27 082 000	7 776 000	34 858 000	-		34 858 000	31 227 184		(3 630 816)	90 %	115 %
Internally generated funds	1 666 000	-	1 666 000	-		1 666 000	904 755		(761 245)	54 %	54 %
Total sources of capital funds	**28 748 000**	**7 776 000**	**36 524 000**	**-**		**36 524 000**	**32 131 939**		**(4 392 061)**	**88 %**	**112 %**
Cash Flows											
Net cash from (used) operating	12 949 000	-	12 949 000	-		12 949 000	16 613 434		3 664 434	128 %	128 %
Net cash from (used) investing	(11 619 000)	-	(11 619 000)	-		(11 619 000)	(166 368)		11 452 632	1 %	1 %
Net increase/(decrease) in cash and cash equivalents	**1 330 000**	**-**	**1 330 000**	**-**		**1 330 000**	**16 447 066**		**15 117 066**	**1 237 %**	**1 237 %**
Cash and cash equivalents at the beginning of the year	14 758 000	-	14 758 000	-		14 758 000	14 758 371		371	100 %	100 %
Cash and cash equivalents at year end	**16 088 000**	**-**	**16 088 000**	**-**		**16 088 000**	**31 205 437**		**(15 117 437)**	**194 %**	**194 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2015				
Financial Performance				
Property rates				3 039 760
Service charges				13 901 025
Investment revenue				876 912
Transfers recognised - operational				40 048 864
Other own revenue				30 832 346
Total revenue (excluding capital transfers and contributions)				**88 698 907**
Employee costs	855 932	-	855 932	(12 896 630)
Remuneration of councillors	103 871	-	103 871	(2 335 138)
Debt impairment	1 173 558	-	1 173 558	(19 976 306)
Depreciation and asset impairment	-	-	-	(8 022 942)
Finance charges	-	-	-	(225 211)
Materials and bulk purchases	26 629	-	26 629	(6 573 271)
Transfers and grants	1 194 122	-	1 194 122	(2 771 931)
Other expenditure	534 516	-	534 516	(19 603 418)
Total expenditure	**3 888 628**	**-**	**3 888 628**	**(72 404 847)**
Surplus/(Deficit)				**16 294 060**
Surplus/(Deficit) for the year				**16 294 060**

Captial Expenditure and Funds Sources

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash Flows				
Net cash from (used) operating				26 207 101
Net cash from (used) investing				(21 027 728)
Net increase/(decrease) in cash and cash equivalents				**5 179 373**
Cash and cash equivalents at the beginning of the year				8 317 171
Cash and cash equivalents at year end				**13 496 544**

APPENDIX B

LAINGSBURG MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT **30 Junie 2016**

Description	Historical cost									Accumulated Depreciation / Impairment							Carrying
	Opening Balance	Changes in Balances	New Balance	Additions	Transfers	Write-offs	Under construction Additions	Under construction Transfers	Closing Balance	Opening Balance	Changes in Balances	New Balance	Depreciation	Transfers	Write-offs	Closing Balance	Value
	R			R	R	R			R	R			R	R	R	R	R
Land and Buildings																	
Land (Erven)	25 929 920	-	25 929 920	-	-	-	-		25 929 920	-	-	-	-	-	-	-	25 929 920
Land (Facilities)	11 913 796	-	11 913 796	-	-	-	-		11 913 796	-	-	-	-	-	-	-	11 913 796
Office and Other Buildings	9 513 275	-	9 513 275	-	-	-	-	34 608	9 547 883	(6 878 499)	-	(6 878 499)	(236 130)		-	(7 114 629)	2 433 254
	47 356 991	**-**	**47 356 991**	**-**	**-**	**-**	**-**	**34 608**	**47 391 599**	**(6 878 499)**	**-**	**(6 878 499)**	**(236 130)**	**-**	**-**	**(7 114 629)**	**40 276 970**
Infrastructure																	
Electricity:																	
Supply network	8 237 767	-	8 237 767	-	-	-	-	-	8 237 767	(5 805 825)	-	(5 805 825)	(180 871)	-	-	(5 986 696)	2 251 071
Roads:																	
Roads network	24 888 999	-	24 888 999	-	-	-	-	-	24 888 999	(10 919 635)	-	(10 919 635)	(734 365)	-	-	(11 654 000)	13 234 999
Stormwater network	86 244 395	-	86 244 395	-	-	-	-	-	86 244 395	(49 926 918)	-	(49 926 918)	(2 836 882)	-	-	(52 763 799)	33 480 596
									-								
Sanitation:									-								
Sanitation network	28 239 128	-	28 239 128	-	-	-	-	-	28 239 128	(15 623 528)	-	(15 623 528)	(788 125)	-	-	(16 411 653)	11 827 474
									-								
Water:									-								
Supply network	27 225 632	-	27 225 632	253 294		-	-	-	27 478 926	(12 940 820)	-	(12 940 820)	(616 134)		-	(13 556 954)	13 921 972
									-								
Under construction:									-								
Streets and stormwater	10 531 211	-	8 160 116	-		-	2 371 095	-	11 745 100	-	-	-	-	-	-	-	11 745 100
Water	2 796 598	-	986 258	-		-	1 810 339	-	2 796 598	-	-	-	-	-	-	-	2 796 598
Sanitation	1 299 549	-	933 834	-		-	365 716	-	1 299 549	-	-	-	-	-	-	-	1 299 549
Electricity	6 693 033	-	2 433 210	-		-	4 259 823	-	6 693 033	-	-	-	-	-	-	-	6 693 033
Community	1 433 323	-	1 072 412	-		-	360 911	-	1 433 323	-	-	-	-	-	-	-	1 433 323
Equipment	-	-	-	-		-	-		-	-	-	-	-	-	-	-	-
Buildings	-	-	7 878 600	-		-		(7 878 600)	-	-	-	-	-	-	-	-	-
	197 589 635	**-**	**196 300 350**	**253 294**	**-**	**-**	**9 167 885**	**(7 878 600)**	**199 056 818**	**(95 216 726)**	**-**	**(95 216 726)**	**(5 156 376)**	**-**	-	**(100 373 103)**	**98 683 716**
Community Assets										292 806 361			(5 130 979)		(25 398)		
Recreational Facilities:																	
Sport and recreation facilities	10 230 039	-	10 230 039		-	-			10 230 039	(4 753 482)	-	(4 753 482)	(318 455)	-	-	(5 071 937)	5 158 103
Community facilities	11 738 050	-	11 738 050		-	-		20 342	11 758 392	(7 902 796)	-	(7 902 796)	(310 656)	-	-	(8 213 452)	3 544 940
	21 968 089	**-**	**21 968 089**	**-**	**-**	**-**	**-**	**20 342**	**21 988 431**	**(12 656 278)**	**-**	**(12 656 278)**	**(629 111)**	**-**	**-**	**(13 285 389)**	**8 703 042**
Housing																	
Housing Schemes	2 955 500	-	2 955 500	-	-	-		-	2 955 500	(2 216 625)	-	(2 216 625)	(147 775)	-	-	(2 364 400)	591 100
	2 955 500	**-**	**2 955 500**	**-**	**-**	**-**	**-**	**-**	**2 955 500**	**(2 216 625)**	**-**	**(2 216 625)**	**(147 775)**	**-**	**-**	**(2 364 400)**	**591 100**
Other Assets																	
Furniture and Fittings:																	
Other Furniture	5 459 266	-	5 459 266	102 582	-	-	-	-	5 561 849	(3 092 627)	-	(3 092 627)	(508 989)	-		(3 601 616)	1 960 232
Motor Vehicles:																	
Motor Cars	3 754 924	-	3 754 924	636 735	-	(124 850)	-	-	4 266 809	(2 835 708)	-	(2 835 708)	(486 780)	-	117 914	(3 204 574)	1 062 235
Refuse site																	
Tip sites	5 184 068	-	5 184 068	-		(1 301 764)	-	-	3 882 304	(962 342)	-	(962 342)	(205 130)	-	-	(1 167 472)	2 714 832
	14 398 258	**-**	**14 398 258**	**739 317**	**-**	**(1 426 614)**	**-**	**-**	**13 710 962**	**(6 890 677)**	**-**	**(6 890 677)**	**(1 200 898)**	**-**	**117 914**	**(7 973 662)**	**5 737 300**
Total PPE	**284 268 474**	**-**	**282 979 189**	**992 612**	**-**	**(1 426 614)**	**9 167 885**	**(7 823 651)**	**285 103 310**	**(123 858 805)**	**-**	**(123 858 805)**	**(7 370 291)**	**-**	**117 914**	**(131 111 182)**	**153 992 128**

Description	Historical cost									Accumulated Impairment							Carrying
	Opening Balance	Changes in Balances	New Balance	Additions	Transfers	Write-offs	Under construction Additions	Under construction Transfers	Closing Balance	Opening Balance	Changes in Balances	New Balance	Depreciation	Transfers	Write-offs	Closing Balance	Value
	R			R	R	R			R	R			R	R	R	R	R
Heritage Assets																	
Public Statues	43 354	-	43 354	-	-	-	-	-	43 354	-	-	-	-	-	-	-	43 354
	43 354	**-**	**43 354**	**-**	**-**	**-**	**-**	**-**	**43 354**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43 354**

Description	Historical cost									Accumulated Depreciation / Impairment							Carrying
	Opening Balance	Changes in Balances	New Balance	Additions	Transfers	Write-offs	Under construction Additions	Under construction Transfers	Closing Balance	Opening Balance	Changes in Balances	New Balance	Depreciation	Transfers	Write-offs	Closing Balance	Value
	R			R	R	R			R	R			R	R	R	R	R
Investment Properties																	
Land	4 033 901	-	4 033 901	-	-	-	-	-	4 033 901	-	-	-	-	-	-	-	4 033 901
Rented Houses	5 369 500	-	5 369 500	-	-	-	-	-	5 369 500	(4 892 211)	-	(4 892 211)	(119 322)	-	-	(5 011 533)	357 967
	9 403 401	**-**	**9 403 401**	**-**	**-**	**-**			**9 403 401**	**(4 892 211)**	**-**	**(4 892 211)**	**(119 322)**	**-**	**-**	**(5 011 533)**	**4 391 868**
					0.00												

APPENDIX B

LAINGSBURG MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT **30 Junie 2016**

Description	Historical cost									Accumulated Amortisation / Impairment							Carrying
	Opening Balance	Changes in Balances	New Balance	Additions	Transfers	Write-offs	Under construction Additions	Under construction Transfers	Closing Balance	Opening Balance	Changes in Balances	New Balance	Depreciation	Transfers	Write-offs	Closing Balance	Value
	R			R	R	R			R	R			R	R	R	R	R
Intangible Assets																	
Computer Software	1 519 685	-	1 519 684.81	166 368	-	-	-	-	1 686 053	(754 185)	-	-	(291 885)	-	-	(1 046 071)	639 982.31
Servitudes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spatial Development Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Valuation Roll	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 519 685	**-**	**1 519 684.81**	**166 368**	**-**	**-**			**1 686 053**	**(754 185)**	**-**	**-**	**(291 885)**	**-**	**-**	**(1 046 071)**	**639 982**

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERM OF SECTION 123 OF MFMA, 56 OF 2003

Name of grant	Name of organ of state	Quarterly income				Quarterly expenditure				Grants and subsidies delayed/withheld				Reason for delay / withholding of funds	Compliance to DoRA (Yes / No)	Reason for non-compliance
		Sep-15	Dec-15	Mar-16	Jun-16	Sep-15	Dec-15	Mar-16	Jun-16	Sep-15	Dec-15	Mar-16	Jun-16			
Equitable share	National Treasury	5 006 000	3 007 000	3 004 000	-	2 986 179	2 986 179	2 986 179	2 986 179	998 000	-	-	-	Roll over not approved	Yes	N/A
Municipal Infrastructure Grant	National Treasury	3 969 000	2 484 000	2 109 000	-	2 279 011	89 776	392 687	3 802 400	-	-	-	-	N/A	Yes	N/A
Financial Management Grant	National Treasury	1 700 000	-	-	-	138 144	162 239	728 856	670 760	-	-	-	-	N/A	Yes	N/A
Municipal Systems Improvement Grant	National Treasury	930 000	-	-	-	91 047	47 726	57 975	733 252	-	-	-	-	N/A	Yes	N/A
Expanded Public Works Programme	National Treasury	400 000	300 000	300 000		162 595	303 638	330 356	415 430	-	-	-	-	N/A	Yes	N/A
Energy Efficiency and Demand Side Management Grant	National Treasury	1 000 000	1 000 000	1 000 000		-	810 700	404 000	38 605	-	-	-	-	N/A	Yes	N/A
Integrated National Electrification Programme (Municipal Grant)	National Treasury	3 000 000	-	-	-	99 600	368 984	2 163 826	367 590	-	-	-	-	N/A	Yes	N/A
Disaster recovery (flood damage) grant	National Treasury					-	270 357	-	-	-	-	-	-	N/A	Yes	N/A
Provincial library services	Provincial Treasury	320 666	641 332	-	-	164 043	247 303	194 376	390 045	-	-	-	-	N/A	Yes	N/A
Provincial: Financial Management Support Grant	Provincial Treasury	-	1 771 224	-	500 000	91 350	117 776	192 450	1 225 997	-	-	-	-	N/A	Yes	N/A
Municipal Infrastructure Support Grant	Provincial Treasury	-	-	470 000	-	-	-	-	478 462	-	-	-	-	N/A	Yes	N/A
Community Development Workers	Provincial Treasury	-	72 000	-	-	8 328	24 892	15 985	22 795	-	-	-	-	N/A	Yes	N/A
Financial Support for IDP related projects	Provincial Treasury	-	-	200 000	-	-	4 545 956	8 567 223	5 293 563	-	-	-	-	N/A	Yes	N/A
Human Settlement Development Grant	Provincial Treasury	-	4 454 956	13 821 785	39 000	-	-	-	-	-	-	-	-	N/A	Yes	N/A
Provincial: Sub Seta	Provincial Treasury	6 120	11 770	8 793	4 874	91 265	24 579	22 483	9 208	-	-	-	-	N/A	Yes	N/A
Maintenance of proclaimed roads	Provincial Treasury				30 000	5 194	3 653	4 049	21 175	-	-	-	-	N/A	Yes	N/A

Appendix G

Material differences between budget and actual amounts

1.1 During the financial year debt outstanding from 30 June 2015 was written off. Therefore the interest received was below the budgeted figure.
1.2 Rental income from the Thusong offices are now levied at market related fees due improvement in their financial position.
1.3 Licences and permits issued or renewed was lower than originally budgeted. During the time of adjustment budget there was an increase in income but for the period afterwards the income decreased.
1.4 Agency services provided as at the time of the adjustment budget was expected to decrease but the result was an increase.
1.5 Salaries from the traffic department recovered was lower than budgeted for.
1.6 Old properties from the development board, transferred to the municipality were levied as private property and therefore calculated rates was lower than recovered.
1.7 A decrease in debt recovery resulted in more penalties imposed.
1.8 The housing grant was lower than expected due to less number of houses being built than planned.
1.9 Due to fluctuations in payments and issues the application of the reporting standard resulted in a lower calculated revenue amount.
1.10 The municipality organogram was restructured during the year. The planned expenditure took account of this for the whole financial year but was only implemented from September onward and no back pay amounts were paid as taken into account in the budget.
1.11 During the budget process it was not taken into account that fines older than 2 years will be written off at year end.
1.12 Depreciation was based on prior year information. Infrastructure additions were lower during the year and therefore resulted in less depreciation charges.
1.13 Valuation on refuse site information was only available at year end.
1.14 Was not separately included during the budget process.
1.15 Summonses were only issued after the budget process.
1.16 The repairs on streetlights planned was lower due to the implementation of the EEDSM project which included the electrification of street lights.
1.17 Contracted services portion in the budget for commission on traffic fines is under general expenses.
1.18 RDP houses were transferred to owners before year end. This took place earlier than expected in the budget process.
1.19 General expenditure on flood damage expenditure took place after the budget process.
1.20 Inventory purchases was lower than planned and the last number of RDP houses are still carried within inventory.
1.21 Final fines calculation resulted in a difference between budget and actual.
1.22 VAT receivable was not budgeted for.
1.23 Debtors were written off during the last portion of the year and therefore not budgeted for.
1.24 Cash and cash equivalents is lower than expected due to initial taking into account of the total amount of the housing grant to be received at year end.
1.25 Addition of assets were lower than budgeted for.
1.26 Purchase of Caseware asset was not taken into account during the budget due to approval only granted after the adjustment budget.
1.27 Most creditors that provided invoices before year end was paid which resulted in a lower payable amount.
1.28 Due to more disconnections more deposits were paid to the municipality.
1.29 Employee benefits and provisions were not taken into account during the budget process.
1.30 All grants were budgeted to be fully spent at year end but due to capital projects running over more than one year some portions were unspent.